
SUBSTITUTE SENATE BILL 5947

State of Washington 60th Legislature 2007 Regular Session

By Senate Committee on Labor, Commerce, Research & Development
(originally sponsored by Senators Murray, Zarelli, Marr, Shin,
Schoesler and Holmquist)

READ FIRST TIME 02/28/07.

1 AN ACT Relating to creating a business and occupation tax credit
2 against state and federal payroll taxes paid by restaurateurs on
3 employee tips; and adding a new section to chapter 82.04 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** A new section is added to chapter 82.04 RCW
6 to read as follows:

7 (1) Subject to the limitations in this section, a credit is allowed
8 against the tax imposed under this chapter for the total amount of
9 contributions or taxes paid by the employer to any state of Washington
10 or federal taxing authority on account of tip income of employees of
11 the employer that are includable in wages for the purposes of RCW
12 50.04.320(3) including, but not limited to: Contributions paid by the
13 employer under chapter 50.24 RCW, amounts paid to the United States
14 treasury on account of the employer's federal insurance contributions
15 act tax obligations, or amounts paid to the United States treasury on
16 account of the employer's federal unemployment tax act tax obligations.

17 (2) The credit or credits provided for by this section may be
18 claimed against taxes due for the calendar year in which the employer

1 pays contributions, federal insurance contributions act tax
2 obligations, or federal unemployment tax act tax obligations.

3 (3) Fifty percent of the dollar amount of any credit for which the
4 employer is eligible and has actually taken under this section must be
5 utilized for one or more of the following in the same calendar year as
6 the credit against such taxes was actually taken:

- 7 (a) Health care benefits for the employer's employees;
- 8 (b) Additional wages for any of the employer's nontip earning
9 employees; or
- 10 (c) Other increased employee benefits such as, but not limited to,
11 employee meals and paid sick leave.

12 (4) An employer who takes a credit under this section must report
13 annually to the department, in the form and manner prescribed by the
14 department, information providing an itemized listing of the dollar
15 amounts utilized under subsection (3)(a) through (c) of this section.

16 (5) The amount of the credit claimed for a reporting period may not
17 exceed the tax otherwise due under this chapter for that reporting
18 period.

19 (6) Refunds may not be given in place of credits and credits may
20 not be carried over to subsequent calendar years or carried backward to
21 previous calendar years.

22 (7) For the purposes of this section, the following definitions
23 apply:

- 24 (a) "Contributions" are defined as provided in RCW 50.04.070.
- 25 (b) "Federal insurance contributions act tax obligation" means the
26 tax imposed under 26 U.S.C. Sec. 3111 of the federal internal revenue
27 code.
- 28 (c) "Federal unemployment tax act tax obligation" means the tax
29 imposed under 26 U.S.C. Sec. 3301 of the federal internal revenue code.
- 30 (d) "Employer" means any "employer" as defined under RCW 50.04.080
31 that operates a restaurant, as defined in this subsection.
- 32 (e) "Restaurant" means any business establishment where, in
33 consideration of payment, either food or beverages, or both, without
34 lodgings, is regularly furnished to the public, and some or all of the
35 establishment's employees regularly and customarily receive tips from
36 patrons of the establishment, but not including drug stores and soda

1 fountains.

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